

# FISCAL NOTE

**Bill #:** SB0307

**Title:** Generally revise universal system benefits USB charges

**Primary Sponsor:** Toole, K

**Status:** As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	(\$42,992)	(\$85,984)
<b>Revenue:</b>		
State Special Revenue	(\$42,992)	(\$85,984)
<b>Net Impact on General Fund Balance:</b>	\$0	\$0

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill increases the percentage rate of payment on a utility company's total annual retail sales for Universal System Benefits (USB) from 2.4 percent to 3 percent.
2. The current annual minimum requirement for utility companies is to provide 17 percent of total sales revenues for low-income energy and weatherization activities. If a utility company's total credit for internal activities does not meet this requirement, the difference must be remitted to the Department of Revenue (DOR).
3. This bill has a 30 percent annual requirement of USB for low-income activities.
4. USB charges are based on a percent of retail sales of electricity in Montana. Utilities file annual USB reports with DOR. The 2004 report is not due until March 2005; therefore, 2003 figures have been used in all calculations in the table on the next page.

Based on 2003 reports	Current USB @ 2.4%	Proposed USB @ 3%	30% Required to Low Income	Low Income Expenditures	Increase (Decrease)
Montana Dakota Utilities (MDU)	\$808,714	\$1,010,892	\$303,268	\$432,846	\$(129,578)
NorthWestern Energy (NWE)	\$8,522,939	\$10,653,674	\$3,196,102	\$2,712,304	\$483,798
Montana Electric Cooperatives (MECA)	\$3,806,610	\$4,758,263	\$1,427,479	\$970,529	\$456,950

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(continued)

<b>Net Annual Increase in USB Funds Used for Low Income Activities</b>	<b>\$811,170</b>
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5. Using FY 2003 actual USB reported by the utility companies, it is estimated that low-income activities funded by USB will be \$940,748.
6. It is anticipated that NorthWestern Energy (NWE) and Montana Electric Cooperatives (MECA) will continue to meet all of their USB obligations internally and not remit to DOR. Only Montana Dakota Utilities (MDU) remits USB funds to the Department of Revenue (DOR).
7. The portion of USB funds transferred from DOR to Department of Public Health & Human Services (DPHHS) is estimated using the average percentage transfer over the past four years or 66.36 percent calculated as follows:

	Amt Remitted	DPHHS Share	% to DPHHS
In 2001 for Unspent 2000 USB (est.)	\$380,000	\$300,000	78.95%
in 2002 for unspent 2001 USB funds.	\$141,095	\$92,393	65.48%
in 2003 for unspent 2002 USB funds.	\$113,253	\$63,253	55.85%
in 2004 for unspent 2003 USB funds.	\$212,236	\$106,118	50.00%
	\$846,584	\$561,764	<b>66.36%</b> Average Percentage of USB Funds to DPHHS

8. MDU has historically spent more on USB than the required percentage. Though MDU's practice is laudable, for this bill the historic expenditure pattern was not factored into the fiscal assessment. The amount is based on the required level of participation compared to the previous level of expenditure.

**TECHNICAL NOTES:**

This fiscal note contains only the fiscal impact of changes in USB for electricity, as that impact applies to low-income activities conducted by the state. The fiscal impact of changes in USB for natural gas cannot be determined because the Public Service Commission will establish the USB charge for natural gas.